



Public Service Commission of Wisconsin

Eric Callisto, Chairperson
Mark Meyer, Commissioner
Lauren Azar, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Public Service Commission of Wisconsin
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March 31, 2010 – SENT ELCTRONICALLY

Ms. Melanie Krause, Co-General Manager
Menasha Electric & Water Utilities
P.O. Box 340
Menasha, WI 54952-0340
E-mail: mkrause@wppienergy.org

Re: Application for a Water Rate Increase

3560-WR-106

Dear Ms. Krause:

Enclosed is a copy of the Public Service Commission staff's (staff) proposed 2010 test year Revenue Requirement Exhibit (exhibit) to be presented at the hearing for the Menasha Electric & Water Utilities (utility). Andrew Behm, Rate Analyst, will soon be performing a cost of service study and proposed rate design. A copy of that exhibit will be sent separately when completed. Therefore, please review the enclosed exhibit since it will be the basis for the cost of service study.

Enclosed as Schedule 5 is the list of depreciation rates that is the basis of staff's estimated depreciation expense for the test year. When the order is issued in docket 3560-WR-106 these rates will be certified for use by your utility effective January 1, 2010.

After reviewing, please confirm by Electronic Regulatory Filing (ERF) that the utility is in agreement with staff's revenue requirement proposal as set forth in the enclosed exhibit by April 7, 2010. If the utility is not in agreement with any individual component(s), please detail this in your reply:

If you have any questions regarding the above, please contact me at (608) 267-9817 or by e-mail at kathleen.butzlaff@wisconsin.gov. If you have any questions regarding the status of your rate case, please contact Andrew Behm at (608) 266-1282 or by e-mail at andrew.behm@wisconsin.gov.

Sincerely,

/s/ Kathleen Butzlaff

Kathleen Butzlaff
Audit Manager
Division of Water, Compliance and Consumer Affairs

KAB:w:\water\butzlk\rate case exhibits\Menasha Letter 2010

Enclosure

Exhibit No. _____

Docket No. 3560-WR-106

Witness: Kathleen Butzlaff

Menahsa Electric and Water Utilities

Estimated 2010 Water Operating Income Statement

Water Net Investment Rate Base

and 2010 Estimated Water Revenue Requirement

Public Service Commission of Wisconsin

Division of Water, Compliance, and Consumer Affairs

Menasha Electric and Water Utilities
3560-WR-106

Estimated Water Operating Income Statement
and Water Net Investment Rate Base
2010 Test Year

	Utility Estimate	Adjustments		Staff Estimate
		No.	Amount	
Total Operating Revenues:	\$4,291,702	1	\$92,931	\$4,384,633
Operating Expenses:				
Source of Supply	\$38,612		\$0	\$38,612
Pumping	337,673	2	(26,002)	311,671
Water Treatment	1,156,494	3	(20,000)	1,136,494
Transmission and Distribution	382,754	4	33,075	415,829
Customer Accounts	95,392	5	(720)	94,672
Sales	81		0	81
Administrative and General	630,274	6	(33,377)	596,897
Total Operation & Maintenance Expenses	\$2,641,280		(\$47,024)	\$2,594,256
Depreciation	735,352	7	12,641	747,993
Amortization	3,051	8	(3,051)	0
Taxes	591,069		0	591,069
Total Operating Expenses	\$3,970,752		(\$37,434)	\$3,933,318
Net Operating Income (Loss)	\$320,950		\$130,365	\$451,315
Net Investment Rate Base:				
Utility Plant in Service	\$25,238,832		\$0	\$25,238,832
Less:				
Accumulated Provision for Depreciation	5,546,258		0	5,546,258
Net Plant in Service	\$19,692,574		\$0	\$19,692,574
Add: Materials and Supplies	116,192		0	116,192
Less: Regulatory Liability - pre-2003 Depreciation on Contributed Plant	166,222		0	166,222
Net Investment Rate Base	\$19,642,544		\$0	\$19,642,544
Rate of Return	1.63%			2.30%

Menasha Electric and Water Utilities
3560-WR-106

Estimated Water Operating Income Statement
Average Water Net Investment Rate Base and
water Revenue Requirement to Yield the Proposed Rate of Return
2010 Test Year

	Staff Estimate	Increase Required	Proposed Rate Level
Total Operating Revenues:	\$4,384,633	\$629,025	\$5,013,658
Operating Expenses:			
Source of Supply	\$38,612		\$38,612
Pumping	311,671		311,671
Water Treatment	1,136,494		1,136,494
Transmission and Distribution	415,829		415,829
Customer Accounts	94,672		94,672
Sales	81		81
Administrative and General	596,897		596,897
Total Operation & Maintenance Expenses	\$2,594,256		\$2,594,256
Depreciation	747,993		747,993
Amortization	0		0
Taxes	591,069		591,069
Total Operating Expenses	\$3,933,318		\$3,933,318
Net Operating Income (Loss)	\$451,315		\$1,080,340
Net Investment Rate Base:			
Utility Plant in Service	\$25,238,832		\$25,238,832
Less:			
Accumulated Provision for Depreciation	5,546,258		5,546,258
Net Plant in Service	\$19,692,574		\$19,692,574
Add: Materials and Supplies	116,192		116,192
Less: Regulatory Liability - pre-2003 Depreciation on Contributed Plant	166,222		166,222
Net Investment Rate Base	\$19,642,544		\$19,642,544
Rate of Return	2.30%		5.50%

Menasha Electric and Water Utilities
3560-WR-106

Estimated Water Operating Revenues
2010 Test Year

	Utility Estimate	Adjustments		Staff Estimate
		No.	Amount	
Unmetered Sales to General Customers	\$1,000			\$1,000
Metered Sales to General Customers:				
Residential	\$1,425,649		\$0	\$1,425,649
Commercial	253,872		0	253,872
Industrial	<u>1,048,876</u>	1a	<u>(63,811)</u>	<u>985,065</u>
Total Metered Sales	\$2,728,397		(\$63,811)	\$2,664,586
Private Fire Protection	83,112		0	83,112
Public Fire Protection	822,121		0	822,121
Sales to Public Authorities	80,436		0	80,436
Sales for Resale	488,233	1b	156,742	644,975
Interdepartmental	<u>0</u>		<u>0</u>	<u>0</u>
Total Water Sales	\$4,203,299		\$92,931	\$4,296,230
Forfeited Discounts	5,758		0	5,758
Misc. Service Revenues	0		0	0
Rents of Water Property	53,553		0	53,553
Interdepartmental Rents	0		0	0
Other Water Revenues	<u>29,092</u>		<u>0</u>	<u>29,092</u>
Total Operating Revenues	<u>\$4,291,702</u>		<u>\$92,931</u>	<u>\$4,384,633</u>

Menasha Electric and Water Utilities
3560-WR-106

Explanation of Staff Adjustments in Schedules 1 and 3

Particulars	Amount
<u>Adjustment No. 1</u>	
To adjust the utility's estimated operating revenues to the 2010 PSC estimate as follows:	\$92,931
a. To decrease Industrial revenues based upon updated information for the largest users including the decreased usage trends and additional usage by three customers to make up for closing of the steam plant.	(\$63,811)
b. To increase Sales for Resale revenues based upon: - the utility estimated sales to the Town of Menasha of 191,200 mgal which is approximately the 2006 - 2009 average - revenues calculated using the current authorized rates.	156,742
Total Increase	<u>\$92,931</u>
<u>Adjustment No. 2</u>	
To decrease the utility's estimated Power Purchased for Pumping to the 2010 PSC estimate based on the 2010 estimated sales of water, a three year average ratio of sales to pumpage, the 2008 ratio of gallons pumped per kwh, and an estimated cost per kWh at the 2008 inflated level. This estimate also reflects the actual 2009 expense adjusted for the recent change in electric rates in 2010.	(\$26,002)
<u>Adjustment No. 3</u>	
To decrease the utility's estimated Chemicals Expense to the 2010 PSC estimate based on the utility's estimated pounds used and cost per pound in 2010, plus \$60,000 for the normalization of the \$300,000 to replace filter media every five years.	(\$20,000)
<u>Adjustment No. 4</u>	
To adjust the utility's estimated Transmission and Distribution Expenses to the 2010 PSC estimate as follows:	\$33,075
a. To increase the utility's estimated Customer Installation Expense of \$26,133 to the 2010 PSC estimate of \$36,701 by added the annual cost of the cross connection control program the utility is starting in 2010.	\$10,568
b. To increase the utility's estimated Maintenance of Reservoirs and Standpipes Expense to the 2010 PSC estimate of \$24,200 based upon: - estimated routine expenses of \$1,000 - the estimated cost to paint the two water towers normalized over twelve years.	22,507
Total Increase	<u>33,075</u>

Menasha Electric and Water Utilities
3560-WR-106

Explanation of Staff Adjustments in Schedules 1 and 3

Particulars	Amount
<u>Adjustment No. 5</u>	
To decrease the utility's estimated Customer Records & Collection Expenses by excluding the estimated cost of processing credit card payments which is not allowed in customer rates.	(\$720)
<u>Adjustment No. 6</u>	
To adjust the utility's estimated Administrative and General Expense to the 2010 PSC as follows:	(\$33,377)
a. To decrease the utility's estimated Administrative and General Salaries to the 2010 PSC estimate of \$88,356 by excluding the three percent raise estimated by the utility for non-represented employees.	(\$2,651)
b. To decrease the utility's estimated Outside Service Expenses to the PSC 2010 estimate of \$19,595 by using a four year average for bargaining/union fees and miscellaneous consulting and normalizing the Debt Restructuring cost over two years.	(12,885)
c. To decrease the utility's estimated Regulatory Commission Expenses to the 2010 PSC estimate of \$2,800 by normalizing the utility's estimated rate case costs of \$8,400 over three years.	(5,200)
d. To decrease the utility's estimated Miscellaneous General Expenses to the 2010 PSC estimate of \$10,798 by using a three year average for training and labor, a four year average for membership dues, and excluding scholarships which are not allowed customer rates.	(12,641)
Total Decrease	<u>(\$33,377)</u>
<u>Adjustment No. 7</u>	
To increase the utility's estimated Depreciation Expense to the 2010 PSC estimate based upon the items noted below.	\$12,641
- estimated Utility Financed Plant in Service balances for the test year	
- proposed depreciation rates per Schedule 5	
- an allocation of a portion of depreciation on meters to the sewer department	
- an allocation of a portion of depreciation on customer service equipment equipment to the water utility and sewer department	
- allocations to clearing accounts.	
<u>Adjustment No. 8</u>	
To decrease the utility's estimated Amortization Expense by reclassifying the amortization of debt discount expense to Account 428.	(\$3,051)

Menasha Electric and Water Utility
Schedule of Water Depreciation Rates
Docket 3560-WR-106
Effective January 1, 2010

Schedule 5

<u>Account Number</u>	<u>Class of Plant</u>	<u>Deprec. Rate</u>
SOURCE OF SUPPLY PLANT		
312	Collecting and Impounding Reservoirs	1.7%
313	Lake, River and Other Intakes	1.7%
316	Supply Mains	1.8%
PUMPING PLANT		
321	Structures and Improvements	3.5%
323	Other Power Production Equipment	4.4%
325	Electric Pumping Equipment	5.5%
326	Diesel Pumping Equipment	4.4%
WATER TREATMENT PLANT		
331	Structures and Improvements	3.2%
332	Sand and Other Media Filtration Equipment	3.3%
TRANSMISSION AND DISTRIBUTION PLANT		
341	Structures and Improvements	3.2%
342	Distribution Reservoirs and Standpipes	1.9%
343	Transmission and Distribution Mains	1.3%
345	Services	2.9%
346	Meters	5.5%
348	Hydrants	2.2%
GENERAL PLANT		
391	Office Furniture and Equipment	5.8%
391.1	Computer Equipment	25.0%
392	Transportation Equipment	Unit
394	Tools, Shop and Garage Equipment	5.8%
395	Laboratory Equipment	5.8%
396	Power Operated Equipment	Unit
397	Communication Equipment	10.0%
397.1	SCADA Equipment	10.0%